

Financial Statements

June 30, 2025

First 5 Solano Children and Families Commission

(a Component Unit of the County of Solano, California)

First 5 Solano Children and Families Commission

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**First 5 Solano Commission
Membership**

(as of June 30, 2025)

Neely McElroy, Chair
Deputy Director of Child Welfare Services, Solano County Health & Social Services

Lisette Estrella-Henderson, Vice Chair
Solano County Superintendent of Schools, Member-at-large

Monica Brown
District 2 Representative

Roger Robinson
Assistant Director, Solano County Health & Social Services

Tyffany Wanberg
District 4 Representative

Tiffanee Jones
District 1 Representative

Lisa Donahue
District 5 Representative

Nikila Walker-Gibson
District 3 Representative



Independent Auditor's Report

To the Board of Commissioners
First 5 Solano Children and Families Commission
Vallejo, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the general fund of the First 5 Solano Children and Families Commission (Commission), a component unit of the County of Solano, California, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Commission as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of proportionate share of the net other post-employment benefit (OPEB) liability (asset), and the schedule of OPEB contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an

appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

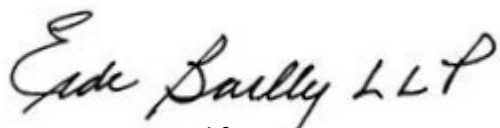
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the First 5 Commission Membership but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2025, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Erik Bailly LLP".

Sacramento, California

October 22, 2025

First 5 Solano Children and Families Commission
Statement of Net Position
June 30, 2025

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and investments in County Treasury	\$ 13,700,126
Accounts receivable	16,324
Due from County	342,659
Due from State Commission	<u>319,944</u>
Total current assets	<u>14,379,053</u>
Noncurrent Assets	
Net OPEB asset	35,353
Capital assets, net	635,674
Right-to-use assets, net	<u>500,022</u>
Total noncurrent assets	<u>1,171,049</u>
Total assets	<u>15,550,102</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions	475,614
Deferred outflows related to OPEB	<u>25,872</u>
Total deferred outflows of resources	<u>501,486</u>
Liabilities	
Current Liabilities	
Outstanding warrants	1,562,627
Accounts payable	373,262
Due to County	24,314
Due to other agencies	4,735
Compensated absences, current	31,073
Lease liabilities, current	<u>109,220</u>
Total current liabilities	<u>2,105,231</u>
Noncurrent Liabilities	
Compensated absences, net of current portion	109,580
Lease liabilities, net of current portion	419,360
Net pension liability	<u>1,885,051</u>
Total noncurrent liabilities	<u>2,413,991</u>
Total liabilities	<u>4,519,222</u>
	(Continued)

First 5 Solano Children and Families Commission
Statement of Net Position
June 30, 2025

	Governmental Activities
Deferred Inflows of Resources	
Deferred inflows related to pensions	\$ 4,284
Deferred inflows related to OPEB	<u>36,265</u>
Total deferred inflows of resources	<u>40,549</u>
Net Position	
Net investment in capital assets	607,116
Unrestricted	<u>10,884,701</u>
Total net position	<u><u>\$ 11,491,817</u></u>

First 5 Solano Children and Families Commission

Statement of Activities

For the Year Ended June 30, 2025

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities</u>	<u>Expenses</u>			
Early childhood development	\$ 5,995,496	\$ 655,916	\$ 3,634,532	\$ (1,705,048)
Total Governmental Activities	<u>\$ 5,995,496</u>	<u>\$ 655,916</u>	<u>\$ 3,634,532</u>	(1,705,048)
General Revenues				
Investment income				<u>647,333</u>
Total General Revenues				<u>647,333</u>
Change in Net Position				(1,057,715)
Net Position - Beginning of Year				<u>12,549,532</u>
Net Position - End of Year				<u>\$ 11,491,817</u>

First 5 Solano Children and Families Commission

Balance Sheet

June 30, 2025

	<u>General Fund</u>
Assets	
Cash and investments in County Treasury	\$ 13,700,126
Accounts receivable	16,324
Due from County	342,659
Due from State Commission	<u>319,944</u>
Total assets	<u><u>\$ 14,379,053</u></u>
Liabilities and Fund Balance	
Liabilities	
Outstanding warrants	\$ 1,562,627
Accounts payable	373,262
Due to County	24,314
Due to other agencies	<u>4,735</u>
Total liabilities	<u>1,964,938</u>
Fund Balance	
Committed	7,024,009
Assigned	565,187
Unassigned	<u>4,824,919</u>
Total fund balance	<u>12,414,115</u>
Total liabilities and fund balance	<u><u>\$ 14,379,053</u></u>

First 5 Solano Children and Families Commission

Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position June 30, 2025

Governmental Fund Balance	\$ 12,414,115
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	635,674
Right-to-use assets, net of accumulated amortization used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	500,022
Deferred inflows and outflows of resources related to the net pension liability are not due and payable in the current period and therefore, are not reported in governmental funds:	
Deferred outflows of resources related to pensions	475,614
Deferred inflows of resources related to pensions	(4,284)
Deferred inflows and outflows of resources related to the net OPEB asset are not due and payable in the current period and therefore, are not reported in governmental funds:	
Deferred outflows of resources related to OPEB	25,872
Deferred inflows of resources related to OPEB	(36,265)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(140,653)
Net pension liability	(1,885,051)
Lease liability	(528,580)
The net OPEB asset is not an available resource and, therefore, is not reported in the funds.	35,353
Net position of governmental activities	<u>\$ 11,491,817</u>

First 5 Solano Children and Families Commission
Statement of Revenues, Expenditures and Changes in Fund Balance of the
Governmental Fund
For the Year Ended June 30, 2025

	<u>General Fund</u>
Revenues	
Intergovernmental revenues	\$ 3,362,491
Charges for services	655,916
Investment income	647,333
Donations/grants	455,728
Total revenues	5,121,468
Expenditures	
Current	
Early childhood development	
Strategic plan implementation:	
Employee services	1,327,027
Program evaluation costs	193,621
Countywide admin overhead	114,527
Interfund services	29,570
Professional & specialized services	89,493
Rents & leases	140,460
Memberships	7,167
Transportation & travel	9,189
Communication	9,783
Insurance	59,802
Special departmental expense	6,098
Supplies	2,946
Meals/Refreshments	3,022
Non capitalized equipment	2,140
Capital outlay	17,737
Miscellaneous	66,208
Total strategic plan implementation expenditures	2,078,790

(Continued)

First 5 Solano Children and Families Commission
Statement of Revenues, Expenditures and Changes in Fund Balance of the
Governmental Fund
For the Year Ended June 30, 2025

	<u>General Fund</u>
Grants:	
Family support	896,101
Early mental health	330,640
Early Learning Center	1,635,328
Parent education	103,859
Child care and development	154,738
Annual grants	90,136
Systems change	75,888
Community engagement	73,246
Community responsive minigrants	45,000
Help me grow Solano	<u>427,433</u>
Total grant expenditures	<u>3,832,369</u>
Total expenditures	<u>5,911,159</u>
Net Change in Fund Balance	<u>(789,691)</u>
Fund Balance - Beginning	<u>13,203,806</u>
Fund Balance - Ending	<u><u>\$ 12,414,115</u></u>

First 5 Solano Children and Families Commission
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the
Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2025

Changes in fund balance - governmental funds	\$ (789,691)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets or value of the right-to-use asset is allocated over their estimated useful lives and reported as depreciation or amortization expense.	
Depreciation/amortization expense	(285,966)
Repayment of principal on the lease and SBITA are expenditures in the governmental funds, but is a reduction to the lease liability on the Statement of Net Position.	
Lease liability principal repayment	107,293
SBITA liability principal repayment	51,981
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This amount represents the net change in the compensated absences liability.	(13,524)
Governmental funds report OPEB plan contributions as expenditures. However, in the statement of activities, OPEB expense is measured as the change in net OPEB asset and the amortization of deferred outflows and inflows related to OPEB. The following amount reflect changes in the OPEB related balances.	39,694
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense is measured as the change in net pension liability and the amortization of deferred outflows and inflows related to pensions. The following amount reflect changes in the pension related balances.	16,185
In the Governmental Funds, some prior year receivables were recorded as unavailable revenue due to income not being available. In the Government-Wide Statements, these amounts were recognized as income on the full accrual basis of accounting in the prior year.	(183,687)
Change in net position of governmental activities	<u><u>\$ (1,057,715)</u></u>

Note 1 - Summary of Significant Accounting Policies**Reporting Entity**

First 5 Solano Children and Families Commission (Commission), a component unit of the County of Solano, California (County), was organized on July 8, 1999, by the Solano County Board of Supervisors through the adoption of Ordinance No. 1579 in accordance with the California Children and Families Act of 1998. The Commission currently operates under the State of California Health and Safety Code§ 130100-130155 and Solano County Code§ 7.3. The purpose of the Commission is to promote, support, and improve the early development of children from the prenatal stage through five years of age. The First 5 Solano Commission is primarily funded by a surtax imposed statewide on the sale and distribution of cigarettes and other tobacco related products.

Solano County is a political subdivision of the State of California. An elected, five-member Board of Supervisors governs the County.

The Commission consists of nine members encompassing a myriad of professional and personal experience. The Board of Supervisors of Solano County approves the appointment of each Commission member's four-year term.

Upon termination of the Commission, all assets of the Commission shall be returned to the State of California. The liabilities of the Commission shall not become liabilities of the County upon either termination of the Commission or the liquidation or disposition of the Commission's remaining assets.

Government-wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the activities of the reporting entity. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Contributions to local grantee organizations are recognized as expense when criteria for grant payments are met by the grantee organization. The *Statement of Net Position* presents the Commission's overall financial position. The *Statement of Activities* reports the change in net position in a net program cost format to demonstrate the degree to which the expenses of the Commission are offset by its program revenues. The Commission's principal activity is child development.

Governmental fund financial statements, presented after the government-wide financial statements, are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues are generally considered to be available when they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recognized in the accounting period in which the liability is incurred, if measurable. However, expenditures related to compensated absences are recorded only when payment is due. Revenues collected in advance are recorded as advances (Unearned Revenue) and recognized in the period earned.

The Commission reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the Commission.

Accounting and Reporting Policies

The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles.

Cash and Investments

The Commission categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Capital Assets

Capital assets and right-to-use assets (leased assets and subscription assets) are reported in the governmental activities. Capital assets are defined by the Commission as assets with an initial cost of \$7,500 and an estimated useful life in excess of one year. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Tenant improvements are depreciated using the straight-line method over the shorter of the lease term or the estimated useful life of 10-40 years. Equipment is depreciated using the straight-line method over an estimated useful life of 3-7 years.

The right-to-use lease assets are recorded at the present value of the lease payments at the inception of the lease. The right-to-use lease asset is recorded as a right-to-use asset and is amortized over the shorter of the assets useful life or the lease term.

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the Commission's right to use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. The right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net asset that applies to a future period(s) and so will *not* be recognized as an outflow of resources expense/expenditure until then. The Commission reports deferred outflows related to pensions and other post-employment benefits (OPEB). Refer to additional details in Note 7 and Note 8, respectively.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net asset that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The governmental fund sometimes reports unavailable revenues from intergovernmental revenues that have not be received within the period of availability. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The Commission also reports deferred inflows related to pensions and OPEB. Refer to additional details in Note 7 and Note 8, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, and then unrestricted resources as they are needed.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the government-wide Statement of Net position. For governmental funds, a liability for compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

As of June 30, 2025, the Commission estimated its liability for compensated absences to be \$140,653. Unused vacation hours may be accumulated and, if not taken, are paid at the date of termination from Commission employment at the employee's current pay rate. All leave balances are accrued when earned in the government-wide financial statements. Expenditures for these amounts are reported in the general fund as employees terminate. Unused sick leave may be accumulated and taken as needed, but shall not be paid out at the time of separation from the County; however, upon retirement eligible employees will convert all unused sick leave to a Retirement Health Savings Account.

Net Position

In the government-wide financial statements, net position represents the difference between assets, liabilities and deferred outflows (inflows) of resources, and may be classified into three components:

- Net investment in capital assets - Consists of capital assets including capital assets, leased assets, and subscription assets, net of accumulated depreciation and amortization.
- Restricted net position – This balance represents net position that is not accessible for general use because their use is subject to restrictions enforceable by third parties.
- Unrestricted net position – Consists of all other resources making up net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Balance Classification

Fund balance can be displayed under the following components:

- *Nonspendable Fund Balance* – includes elements of fund balance that cannot be spent because of their form, or because they must be (a) assets that will never convert to cash, such as prepaid items, or (b) resources that must be held intact pursuant to legal or contractual requirements.
- *Restricted Fund Balance* – includes resources that are subject to constraints that are externally enforceable legal restrictions.

- *Committed Fund Balance* – includes amounts that meet one of the following two criteria; (a) use of funds is constrained by limits imposed by formal action of the Commission and removal or (b) modification of use of funds can be accomplished only by the same formal action of the Commission. The Board of Commissioners is the government's highest level of decision-making authority; and the formal action required to be taken to establish, modify, or rescind a fund balance restriction is a majority vote by the Commission.
- *Assigned Fund Balance* – The assigned portion of the fund balance policy reflects the Commission's intended use of resources, which is established either by the Commission, a body created by the Commission, such as the commission finance committee, or an official designated by the commission (e.g., an Executive Director).
- *Unassigned Fund Balance* – includes resources in fund balance that cannot be classified into any of the other categories.

The Commission has evaluated the composition of its fund balance and has reported the following categories:

- *Committed* – At June 30, 2025, the Commission reported \$7,024,009 as committed; \$4,314,009 for contractual obligations for ongoing First 5 program activities approved by the Board of Commissioners; and \$2,710,000 for the Child Start Early Learning Center renovation project.
- *Assigned* – At June 30, 2025, the Commission reported \$565,185 assigned for contractual obligations for leased office space.
- *Unassigned* – At June 30, 2025, the Commission reported \$4,824,921 as unassigned.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first and then unrestricted resources, as they are needed. For unrestricted resources, decreases in fund balance first reduce committed fund balance, in the event that committed fund balance becomes zero, then assigned and unassigned fund balances are used in that order.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County of Solano's Miscellaneous Pension Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by California Public Employees Retirement System (CalPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability (asset) and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County of Solano Retiree Healthcare Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Due from County

Due from county represents amounts due to the Commission for early childhood mental health services provided per terms of the County of Solano Memorandum of Understanding 2014-101.

Due from State Commission

Due from other agencies represents amounts due to the Commission from the State (First 5 California Children & Families Commission) as of June 30, 2025 for amounts allocated but not received.

Outstanding Warrants

Outstanding warrants represent the amount of warrants issued but not yet presented to the County for payment. When warrants are mailed, expenditures are recorded in the Commission's fund and an outstanding warrant liability is created, pending payment of the warrant.

Accounts Payable

Accounts payable represents the balance owed for goods received and/or services rendered.

Due to County

Due to County represents amounts owed to the County of Solano for grantee services provided by the Department of Health and Social Services.

Due to Other Agencies

Due to other agencies represents amounts owed to grantees outside the reporting entity.

Lease Liabilities

Lease liabilities represent the Commission's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the Commission.

Subscription Liabilities

Subscription liabilities represent the Commission's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments is discounted based on a borrowing rate determined by the Commission.

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements**Effective in Current Fiscal Year**

As of June 30, 2025, the Commission adopted GASB Statement No. 101, Compensated Absences. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. There was not a significant effect on the Commission's financial statements as a result of the implementation of this standard.

As of June 30, 2025, the Commission adopted GASB Statement No. 102, Certain Risk Disclosures, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There was not a significant effect on the Commission's financial statements as a result of the implementation of this standard.

Effective in Future Fiscal Years

The GASB has issued the following pronouncements that have effective dates which may impact future financial statement presentation. The Commission has not determined the effect of the following Statements:

GASB Statement No. 103 – *Financial Reporting Model Improvements*

GASB Statement No. 104 – *Disclosure of Certain Capital Assets*

Note 2 - Cash and Investments

The balance of the Commission's investment in the Solano County Treasury pool at June 30, 2025 is \$13,700,126.

Investments Authorized by the California Government Code

The Commission is authorized under the California Government Code to make direct investments and has adopted the County of Solano Statement of Investment Policy and any amendments, therein. The Commission maintains policies for exposure to interest rate risk, credit risk, and concentration of credit risk, as stated in the policy. The following are investments authorized under the County of Solano Statement of Investment Policy, which is more limited than those authorized under the California Government Code:

Investment in County of Solano Treasurer's Pooled Investment Fund

The Commission's cash and investments is maintained in the County Treasury and is pooled with the County of Solano and various other depositors. The Commission's ability to withdraw large sums of cash from the County Treasury may be subject to certain restrictions set by the County Treasurer. On a quarterly basis, the Treasurer allocates interest to participants based upon their average daily balances. The Solano County Treasury Oversight Committee oversees the Treasurer's investments and policies. The County investment pool is not registered with the Securities and Exchange Commission as an investment company and is not rated.

Fair Value Measurements

The Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2025, the Commission held no individual investments. All funds are invested in the County Treasurer's Investment Pool.

Deposits and withdrawals in the Pools are made on the basis of \$1 and not fair value. Accordingly, the Commission's share of investments in the County Treasurer's Investment Pool at June 30, 2025 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

Note 3 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025 is as follows:

	Balance June 30, 2024	Additions	Deletions/ Adjustments	Balance June 30, 2025
Capital assets being depreciated				
Tenant improvements	\$ 1,620,918	\$ -	\$ -	\$ 1,620,918
Equipment	14,986	17,737	-	32,723
Total capital assets being depreciated	1,635,904	17,737	-	1,653,641
Less accumulated depreciation				
Tenant improvements	(865,277)	(135,339)	-	(1,000,616)
Equipment	(13,987)	(3,364)	-	(17,351)
Total accumulated depreciation	(879,264)	(138,703)	-	(1,017,967)
Total capital assets being depreciated, net	756,640	(120,966)	-	635,674
Right-to-use assets being amortized				
Office space	936,406	-	-	936,406
Equipment	8,874	-	8,874	-
Information technology subscription	163,324	-	163,324	-
Total right-to-use assets being amortized	1,108,604	-	172,198	936,406
Less accumulated amortization:				
Office space	(327,288)	(109,096)	-	(436,384)
Equipment	(7,412)	(1,462)	(8,874)	-
Information technology subscription	(108,882)	(54,483)	(163,365)	-
Total accumulated amortization	(443,582)	(165,041)	(172,239)	(436,384)
Total right-to-use assets being amortized, net	665,022	(165,041)	(41)	500,022
Governmental activities capital assets, net	\$ 1,421,662	\$ (286,007)	\$ (41)	\$ 1,135,696

Depreciation and amortization expense of \$303,744 was charged to the statement of activities in the early childhood development function.

First 5 Solano Children and Families Commission

Notes to Financial Statements

June 30, 2025

Note 4 - Compensated Absences

Changes in compensated absences for the fiscal year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Amounts Due Within One Year
Compensated absences	\$ 127,129	\$ 44,597	\$ 31,073	\$ 140,653	\$ 31,073
Total compensated absences	<u>\$ 127,129</u>	<u>\$ 44,597</u>	<u>\$ 31,073</u>	<u>\$ 140,653</u>	<u>\$ 31,073</u>

Note 5 - Leases

Office Space - In March 2019, the Commission entered into a five-year lease for the rental of office space in Vallejo. The lease included one five-year option, extending the lease term to ten years. The lease commencement date was based on the later of July 1, 2019 or on the notice of occupancy, which occurred in February 2020. Under the terms of the lease, the Commission pays a base amount of \$10,299 per month, plus an annual inflation adjustment. The lease was valued using a discount rate of 3% based on the Commission's incremental borrowing rate.

Equipment - In December 2019, the Commission entered into a five-year lease for the rental of copy machines. Under the terms of the lease, the Commission pays \$218 per month. The lease was valued using a discount rate of 3% based on the Commission's incremental borrowing rate. The lease expired in 2025.

A summary of the changes in lease liabilities during the year ended June 30, 2025 is as follows:

	Balance at July 1, 2024	Additions	Reductions	Balance at June 30, 2025	Due within One Year
Office space	\$ 634,576	\$ -	\$ (105,996)	\$ 528,580	\$ 109,220
Equipment	<u>1,297</u>	<u>-</u>	<u>(1,297)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 741,223</u>	<u>\$ -</u>	<u>\$ (107,293)</u>	<u>\$ 528,580</u>	<u>\$ 109,220</u>

The remaining obligation associated with the office space lease is as follows:

Fiscal Year Ended June 30,	Principal	Interest
2026	\$ 109,220	\$ 14,107
2027	112,543	10,777
2028	115,947	7,365
2029	119,493	3,810
2030	<u>71,377</u>	<u>548</u>
	<u>\$ 528,580</u>	<u>\$ 36,607</u>

Note 6 - Subscription-Based Information Technology Arrangements (SBITA) Liability

In the previous year, the Commission entered into contract for a subscription to a grant management software. As of June 30, 2025, the value of the subscription liability was \$0. The Commission is required to make annual payments ranging from \$44,675 to \$53,204 each July through July 2024. The subscription liability was valued using a discount rate of 2.35% based on the Commissions incremental borrowing rate. The subscription expired in 2025.

A summary of the changes in SBITA liabilities during the year ended June 30, 2025 is as follows:

	Balance at July 1, 2024	Additions	Reductions	Balance at June 30, 2025	Due within One Year
Subscriptions	\$ 51,981	\$ -	\$ (51,981)	\$ -	\$ -
	<u>\$ 51,981</u>	<u>\$ -</u>	<u>\$ (51,981)</u>	<u>\$ -</u>	<u>\$ -</u>

Note 7 - Defined Benefit Pension Plan**Plan Description**

The Commission employees participate in the County of Solano's Miscellaneous defined benefit pension plan administered by the State of California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for California cities and governmental jurisdictions, which participate in this retirement plan. For financial reporting purposes, the Commission reports a proportionate share of the County's collective net pension liability, pension expense, and deferred inflows and outflows. Accordingly, the disclosures and required supplementary information have been reported for the Commission as a cost sharing participant.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Contributions

Article 15 of the Regulations of the State grants the authority to establish and amend the contribution requirements of the County and active employees to the CERS Board. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary.

The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Commission is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2025, the average active employee contribution rate was 7.59 percent of annual pay, and the Commission's average contribution rate was 10.63 percent of annual payroll. The Commission's contributions to the County's plan were \$283,403 for the year ended June 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the Commission reported a liability of \$1,885,051 for its proportionate share of the County's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The Commission's proportion of the County's net pension liability was based on the Commission's actual contributions to the County's pension plan relative to the total contributions of the County as a whole. At June 30, 2024, the Commission's proportionate share was 0.3476 percent and at June 30, 2025 the Commission's proportionate share was 0.3378 percent, and decrease of 0.0098 percent.

For the year ended June 30, 2025, the Commission recognized pension expense of \$319,422. At June 30, 2025, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 16,721	\$ -
Difference between expected and actual experience	100,024	4,284
Net difference between projected and actual earnings on pension plan investments	75,466	-
Employer contributions paid by the Commission subsequent to the measurement date	283,403	-
Total	<u>\$ 475,614</u>	<u>\$ 4,284</u>

\$283,403 reported as deferred outflows of resources related to the Commission's contributions to the County's plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Commission's proportion of the County's pension plan will be recognized in pension expense as follows:

Year ended June 30,	
2026	\$ 60,781
2027	164,935
2028	(11,223)
2029	(26,566)
Total	<u>\$ 187,927</u>

Actuarial assumptions

The Commission's proportion of the County's total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2023
Measurement date	June 30, 2024
Actuarial cost method	Entry-Age Actuarial Cost Method

Actuarial Assumptions:

Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary increases	Varies by Entry Age and Service
Investment Rate of Return	6.80%
Mortality	Derived using CalPERS' membership data for all funds

The mortality table used was developed based on CalPERS's specific data. The table includes 15 years of mortality improvements using 90% Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the 2017 experience study report available on CalPERS website at www.calpers.ca.gov.

All other actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class net of administrative expenses:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return</u>
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 6.90 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 6.90 percent discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 6.90 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

Sensitivity of the Commission's proportionate share of the County's net pension liability to changes in the discount rate

The following table presents the Commission's proportionate share of the County's net pension liability calculated using the discount rate of 6.9 percent, as well as what the Commission's proportionate share of the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9%) or 1-percentage-point higher (7.9%) than the current rate:

	1.00% Decrease 5.9%	Current Discount Rate 6.9%	1.00% Increase 7.9%
Commission's proportionate share of the County's net pension liability	\$ 2,790,722	\$ 1,885,051	\$ 1,134,224

Pension plan fiduciary net position – Detailed information about the County's collective net pension liability is available in the County's separately issued Annual Comprehensive Financial Report (ACFR). The County's financial statements may be obtained by contacting the County of Solano, Auditor-Controller's Office at 675 Texas Street, Suite 2800, Fairfield, California 94533 or visiting the County's website at https://www.solanocounty.com/depts/auditor/finance_reports.asp.

Detailed information about the CalPERS fiduciary net position is available in a separately issued CalPERS financial report. Copies of the CalPERS annual report may be obtained from CalPERS Headquarters, Lincoln Plaza North, 400 Q Street, Sacramento, California 95811, or visiting www.calpers.ca.gov.

Note 8 - Other Post-Employment Benefits (OPEB)**Plan Description**

The Commission participates in County of Solano Multi-Employer Defined Benefit Healthcare Plan administered by CalPERS. The plan provides postemployment healthcare benefits to eligible retirees by contributing a minimum of \$158 per month towards medical insurance benefits. This benefit is provided based on the Board of Supervisor's election to participate under the Public Employees' Medical and Hospital Care Act (PEMHCA) [Government Code Section 22750]. The County's Board may elect to pay more than the minimum contribution; however, the County's Board has elected to pay the minimum contribution per eligible retiree. The County has not executed a formal plan document that provides for these benefits and the plan does not have a name.

In addition, the County established an irrevocable trust to pre-fund the other postemployment Annual Required Contribution benefits with the Public Agency Retirement Services (PARS). The PARS financial statements and additional reports can be obtained from the PARS website at <http://www.PARS.org>.

For financial reporting purposes, the Commission reports a proportionate share of the County's collective net OPEB liability (asset), OPEB expense, and deferred inflows and outflows of resources. Accordingly, the disclosures and required supplementary information have been reported for the Commission as a cost sharing participant.

Medical coverage is currently provided through CalPERS as permitted under the PEMHCA. This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (age 52, if new to PERS after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement. The employee must begin his or her retirement (pension) benefit within 120 days of terminating employment with the Commission to be eligible to continue medical coverage through the Commission and be entitled to the benefits described below. In other words, it is the timing of initiating retirement benefits and not timing of enrollment in the medical program which determines whether or not the retiree qualifies for lifetime medical coverage and any benefits defined in the PEMHCA resolution. One exception to this requirement applies only to employees covered by the PEMHCA Vesting resolution who work at least 20 years for the Commission.

Contributions

The plan and its contribution requirements are established by memorandums of understanding with the applicable employee bargaining units and may be amended by agreements between the County and the bargaining units. The annual contribution is based on the actuarially determined contribution. Currently, plan members are required to pay the balance of the premiums. The Commission contributed \$20,313 for the fiscal year ended June 30, 2025.

OPEB Liabilities (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2025, the Commission reported an asset of \$35,353 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of January 1, 2023. The Commission's proportion of the net OPEB asset was based on a projection of the Commission's contributions to the OPEB plan relative to the projected contributions of all participating departments. At June 30, 2024, the Commission's proportionate share was 0.2409 percent and at June 30, 2025 the Commission's proportionate share was 0.2703 percent, an increase of 0.0294 percent.

For the year ended June 30, 2025, the Commission recognized OPEB expense of \$602. At June 30, 2025, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 20,313	\$ -
Changes in assumptions	5,559	9,677
Differences between actual and expected experience	-	21,817
Net difference between projected and actual earnings on plan investments	-	4,771
Total	\$ 25,872	\$ 36,265

First 5 Solano Children and Families Commission

Notes to Financial Statements

June 30, 2025

\$20,313 reported as deferred outflows of resources related to the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2026	\$ (7,212)
2027	(1,844)
2028	(7,386)
2029	(6,422)
2030	(3,921)
Thereafter	(3,921)
Total	<u>\$ (30,706)</u>

Actuarial Assumptions

The total OPEB liability in the January 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Valuation Date	January 1, 2023
Discount Rate	5.25%
Inflation	2.50%
Investment Rate of Return	5.25%
Medical Trend	Non-Medicare - 8.50% for 2024, decreasing to an ultimate rate of 3.45% in 2076 and later years
	Medicare (Non-Kaiser)- 7.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076 and later years
	Medicare (Kaiser) - 6.25% for 2024, decreasing to an ultimate rate of 3.45% in 2076 and later years
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Salary Increase	2.75%
Healthcare Participation	50.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.25 percent for the plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Commission's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	60%	4.56%
Fixed Income	35%	0.78%
Cash	5%	-0.50%
Total	100%	

Sensitivity of the Commission's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the Commission's proportionate share of the net OPEB liability (asset), as well as what the Commission's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current discount rate:

	<u>1% Decrease (4.25%)</u>	<u>Discount Rate (5.25%)</u>	<u>1% Increase (6.25%)</u>
Net OPEB Liability / (Asset)	\$ (11,117)	\$ (35,353)	\$ (55,507)

Sensitivity of the Commission's Proportionate Share of the Net OPEB liability (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the Commission's proportionate share of the net OPEB liability (asset), as well as what the Commission's proportionate share of the net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate*</u>	<u>1% Increase</u>
Net OPEB Liability / (Asset)	\$ (60,902)	\$ (35,353)	\$ (3,555)

* Non-Medicare trend rate of 8.50%, decreasing to an ultimate rate of 3.45% in 2076.

Medicare (Non-Kaiser) trend rate of 7.50%, decreasing to an ultimate rate of 3.45% in 2076.

Medicare (Kaiser) trend rate of 6.25%, decreasing to an ultimate rate of 3.45% in 2076.

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Note 9 - Program Evaluation

In accordance with the *Standards and Procedures for Audits of California Counties Participating in the California Children and Families Program*, issued by the California State Controller, the Commission is required to disclose the amounts expended during the fiscal year on program evaluation. Program evaluation costs pertain to those activities undertaken to support the collection, production, analysis and presentation of evaluation information for Commission management, Commissioners and other interested parties.

For the year ended June 30, 2025, the Commission spent \$193,621 on program evaluation.

Note 10 - Contingencies
Risk Management

The Commission is exposed to various risks of loss from torts; theft of, damage, of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The Commission through Solano County carries coverage administered through the Solano County Risk Management Division, for all risks under a multi-peril policy, including accident and property, workers' compensation, and general liability insurance programs. Solano County also participates in the Public Risk Innovation, Solutions, and Management (PRISM), a joint powers authority created to provide self-insurance programs for California counties. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Litigations, Claims, and Disputes

The Commission is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Commission.

Note 11 - Related Party Transactions

The legally required composition of the First 5 Solano Children and Families Commission (the "Commission") includes a County Supervisor, two County Health & Social Services (H&SS) staff members, and representatives of agencies and constituencies concerned with children. Some of the programs funded by the Commission are operated by organizations represented by Commissioners. In accordance with Commission policy and applicable laws, Commissioners abstain from voting on and participating in discussions directly related to their respective organizations. Below is a list of Commissioner/organization relations and agreements:

Related Party	Fiscal Year 2024/25 Expenditures
County of Solano Health & Social Services	\$ 107,247
Solano County Office of Education	99,624
County of Solano	143,589

The Commission incurred expenditures of \$107,247 for Early Periodic Screening Diagnosis and Treatment, Home Visiting Services, and use space for Child Start, Inc. by the Solano County Department of Health and Social Services (H&SS) and \$143,589 for accounting and overhead services performed by the County in fiscal year 2024/25.

The Commission incurred expenditures of \$99,624 for services provided related to the Universal Pre-Kindergarten program provided by the Solano County Office of Education in fiscal year 2024/25. At June 30, 2025, \$28,699 is included in accounts payable related to these related party transactions.

Related Party	Fiscal Year 2024/25 Revenues
County of Solano Health & Social Services	\$ 623,044
Solano County Office of Education	30,000
County of Solano	32,872

The Commission earned revenues in the amount of \$623,044 for Mental Health Services (HMSA) provided to the County of Solano Department of Health and Social Services (H&SS).

The Commission earned revenues in the amount of \$32,872 for the management of the Community Investment Fund grants under the Solano County Board of Supervisors.

The Commission earned revenues in the amount of \$30,000 for services related to the Rise Vallejo Early Learning Center provided to the Solano County Office of Education.

Note 12 - Commitment*Early Learning Center and Community Resource Building*

On June 27, 2023, the Commission purchased property from the Vallejo City Unified School District in the amount of \$2.8 million with the intention of transferring title of the property to Child Start, Inc. for Child Start, Inc. to use the property as an Early Learning Center (ELC) and a Community Resource Building (CRB) Center. Concurrently with the Commission's purchase of the property, the Commission and Child Start, Inc. executed an ELC and CRB agreement dated June 27, 2023 whereby the Commission agreed to transfer title of the property to Child Start, Inc., conditioned on Child Start's agreement to operate the ELC and CRB on the property for 25 years subject to the covenants and restrictions described in the ELC Agreement, after which such restrictions (including a deed restriction) will be lifted and Child Start will own the property outright. On January 9, 2024, the Commission and Child Start, Inc. entered into a Funding and Construction Agreement, for the purpose of establishing and renovating the ELC and to build the new CRB. The total budget for the ELC is approximately \$19.5 million. The total budget for the CRB is estimated to be \$8 million. The Commission agreed to pay the costs of the project up to available funds, along with contributions from other sources outside the Commission, including the County of Solano. The Commission made the first payment to Child Start, Inc. on April 14, 2024 in the amount of \$5 million in accordance with the terms of the agreement.

Payments made to Child Start, Inc. by the Commission for the year ended June 30, 2025, totaled approximately \$1.7 million. Payments made directly by the County of Solano to Child Start, Inc. for the year ended June 30, 2025 total approximately \$1.65 million, and were funded with Coronavirus State and Local Fiscal Recovery Funds (SLFRF) as part of the American Rescue Plan Act of 2021 (ARPA).

Required Supplementary Information
June 30, 2025

First 5 Solano Children and Families Commission

(a Component Unit of the County of Solano, California)

First 5 Solano Children and Families Commission
Schedule of Revenues, Expenditures and Changes in the Fund Balance – General Fund
Budget and Actual
Year Ended June 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Intergovernmental revenues	\$ 2,790,390	\$ 2,790,390	\$ 3,362,491	\$ 572,101
Charges for services	624,427	624,427	655,916	31,489
Investment income	275,000	275,000	647,333	372,333
Donations/grants	5,000	305,000	455,728	150,728
Total revenues	3,694,817	3,994,817	5,121,468	1,126,651
Expenditures				
Current				
Strategic plan implementation				
Employee services	1,366,209	1,366,209	1,327,027	39,182
Program evaluation costs	202,850	202,850	193,621	9,229
Countywide admin overhead	114,527	114,527	114,527	-
Interfund services	39,579	39,579	29,570	10,009
Professional & specialized services	103,849	103,849	89,493	14,356
Rents & leases	183,197	183,197	140,460	42,737
Memberships	7,500	7,500	7,167	333
Transportation & travel	10,700	10,700	9,189	1,511
Communication	7,075	7,075	9,783	(2,708)
Insurance	59,802	59,802	59,802	-
Special departmental expense	4,225	4,225	6,098	(1,873)
Supplies	5,000	5,000	2,946	2,054
Meals/Refreshments	1,000	1,000	3,022	(2,022)
Non capitalized equipment	3,250	3,250	2,140	1,110
Capital outlay	-	17,737	17,737	-
Miscellaneous	38,010	66,442	66,208	234
Total strategic plan implementation expenditures	2,146,773	2,192,942	2,078,790	114,152
Grants				
Family support	1,283,000	1,583,000	896,101	686,899
Early mental health	550,000	550,000	330,640	219,360
Early learning center	2,710,000	4,181,401	1,635,328	2,546,073
Parent education	-	-	103,859	(103,859)
Child care and development	155,000	155,000	154,738	262
Annual grants	160,000	160,000	90,136	69,864
Systems change	636,000	654,071	75,888	578,183
Community engagement	75,000	75,000	73,246	1,754
Community responsive minigrants	60,000	60,000	45,000	15,000
Help me grow solano	380,000	380,000	427,433	(47,433)
Total grant expenditures	6,009,000	7,798,472	3,832,369	3,966,103
Total expenditures	8,155,773	9,991,414	5,911,159	4,080,255
Net Change in Fund Balance	\$ (4,460,956)	\$ (5,996,597)	(789,691)	\$ -
Fund Balance - Beginning			13,203,806	
Fund Balance - Ending			\$ 12,414,115	

First 5 Solano Children and Families Commission
Schedule of the Commission's Proportionate Share of the Net Pension Liability
Last Ten Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Commission's proportion of the net pension liability	\$ 1,885,051	\$ 1,981,501	\$ 1,854,427	\$ 997,333	\$ 1,596,837	\$ 1,440,709	\$ 1,327,469	\$ 1,139,189	\$ 1,347,787	\$ 1,129,735
Commission's proportionate share of the County's net pension liability	0.3378%	0.3476%	0.3720%	0.3380%	0.3266%	0.3369%	0.3376%	0.3225%	0.3307%	0.4065%
Commission's covered payroll	\$ 819,548	\$ 665,595	\$ 638,290	\$ 599,237	\$ 583,314	\$ 549,380	\$ 570,009	\$ 517,198	\$ 586,638	\$ 568,283
Commission's proportionate share of the County's net pension liability as a percentage of covered payroll	230.01%	297.70%	290.53%	166.43%	273.75%	262.24%	232.89%	220.26%	229.75%	198.80%
Plan's fiduciary net position										
Plan fiduciary net position as a percentage of the total pension liability	73.55%	71.66%	71.93%	83.77%	72.04%	72.61%	73.40%	72.12%	72.73%	77.48%
Measurement date:	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Note to Schedule:

Changes of Assumptions:

- (June 30, 2022 measurement date). The discount rate was changed to 6.90% from 7.15%.
- (June 30, 2021 measurement date). The discount rate was changed from 7.65% (June 30, 2016 measurement date) to 7.15% .
- (June 30, 2017 measurement date). In 2016, there were no changes. In 2015, amounts reflected an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5% discount rate.

First 5 Solano Children and Families Commission
Schedule of Pension Contributions
Last Ten Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contributions	\$ 283,403	\$ 215,728	\$ 209,619	\$ 202,537	\$ 183,632	\$ 160,421	\$ 132,060	\$ 172,253	\$ 392,311	\$ 268,681
Contributions in relation to the actuarially determined contribution	283,403	215,728	209,619	202,537	183,632	160,421	132,060	172,253	392,311	268,681
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commission's covered payroll	\$ 686,215	\$ 819,548	\$ 665,595	\$ 638,290	\$ 599,237	\$ 583,314	\$ 549,380	\$ 570,009	\$ 517,198	\$ 586,638
Contributions as a percentage of covered payroll	41.30%	26.32%	31.49%	31.73%	30.64%	27.50%	24.04%	30.22%	75.85%	45.80%

First 5 Solano Children and Families Commission
Schedule of the Commission's Proportionate Share of the Net OPEB Liability (Asset)
Last Ten Years*

	2025	2024	2023	2022	2021	2020	2019	2018
Commission's proportion of the net OPEB liability (asset)	\$ (35,353)	\$ (9,706)	\$ 30,078	\$ 7,180	\$ 35,875	\$ 40,039	\$ 46,029	\$ 56,023
Commission's proportionate share of the net OPEB liability (asset)	0.2703%	0.2409%	0.2462%	0.2453%	0.2406%	0.2497%	0.2154%	0.2434%
Commission's covered payroll	\$ 705,224	\$ 665,595	\$ 638,290	\$ 599,237	\$ 583,314	\$ 549,380	\$ 570,009	\$ 517,198
Commission's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-5.01%	-1.46%	4.71%	1.20%	6.15%	7.29%	8.08%	10.83%
Plan fiduciary net position as a percentage of the total OPEB liability	118.70%	106.00%	83.53%	95.82%	77.46%	74.25%	65.40%	60.10%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

* Fiscal year 2018 was the first year of implementation of GASB 75; therefore, only eight years are shown.

Change in assumptions: The discount rate was changed from 5.5% (June 30, 2022 measurement date) to 5.25% (June 30, 2023 measurement date). The inflation rate was changed from 2.75% (June 30, 2022 measurement date) to 2.5% (June 30, 2023 measurement date). The investment rate of return was changed from 5.5% (June 30, 2022 measurement date) to 5.25% (June 30, 2023 measurement date). The Medical Trends changed for Non-Medicare 7% for 2024, decrease to an ultimate rate of 4% in 2076 and later years (June 30, 2022 measurement date) to 8.5% for 2024, decrease to an ultimate rate of 3.45% in 2076 and later years (June 30, 2023 measurement date). The Medical Trends was changed for Medicare was 6.10% for 2024, decreasing to an ultimate rate of 4% in 2076 and later years (June 30, 2022 measurement date) to breaking out by Medicare (Non-Kaiser) 7.5% for 2024, decreasing to an ultimate rate of 3.45% in 2076 and later years and Medicare (Kaiser) 6.25% for 2024, decreasing to an ultimate rate of 3.45% in 2076 and later years (June 30, 2023 measurement date). The salary increase was changed from 3% (June 30, 2022 measurement date) to 2.75% (June 30, 2023 measurement date). The discount rate was changed from 6% (June 30, 2020 measurement date) to 5.5% (June 30, 2021 measurement date).

First 5 Solano Children and Families Commission
Schedule of OPEB Contributions
Last Ten Years*

	2025	2024	2023	2022	2021	2020	2019	2018
Contractually determined contributions	\$ 20,313	\$ 17,260	\$ 17,100	\$ 15,559	\$ 15,008	\$ 14,817	\$ 12,302	\$ 13,638
Contributions in relation to the contractually determined contributions	20,313	17,260	17,100	15,559	15,008	14,817	12,302	13,638
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 722,853	\$ 705,224	\$ 665,595	\$ 638,290	\$ 599,237	\$ 583,314	\$ 549,380	\$ 570,009
Contributions as a percentage of covered payroll	2.81%	2.45%	2.57%	2.44%	2.50%	2.54%	2.24%	2.39%

* Fiscal year 2018 was the first year of implementation of GASB 75; therefore, only eight years are shown.

Budgetary Information

The Commission shall conform to Solano County Code § 7.3 for the First 5 Solano Children and Families Commission by approving a budget for the fiscal year in accordance with the Solano County annual budget calendar. The budget shall include anticipated revenues to the First 5 Solano Children & Families Trust Fund and shall provide for carrying out the adopted strategic plan. The budget shall be transmitted to the County Administrator for inclusion in the Final Budget of Solano County.

In accordance with provisions of Sections 29000-29144 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget each fiscal year.

An operating budget prepared on the modified accrual basis is adopted each fiscal year.

Expenditures are controlled at the object level for all departments within the County except for capital outlay expenditures, which are controlled at the sub object level. The legal level of budgetary control is at the department level, which is comprised of the Commission's total general fund. This is the level at which expenditures may not legally exceed appropriations.

The Commission does not adopt a budget for debt service.

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Compliance Reports

June 30, 2025

First 5 Solano Children and Families Commission

(a Component Unit of the County of Solano, California)



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
First 5 Solano Children and Families Commission
Vallejo, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and general fund of the First 5 Solano Children and Families Commission, a component unit of the County of Solano, California (the Commission), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 22, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Commission's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The Commission's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Sacramento, California
October 22, 2025



Independent Auditor's Report on State Compliance and on Internal Control over Compliance

To the Board of Commissioners
First 5 Solano Children and Families Commission
Vallejo, California

Report on Compliance

Opinion

We have audited the First 5 Solano Children and Families Commission's (Commission), a component unit of the County of Solano, California, compliance with the requirements specified in *the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2025.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2025.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the California Children and Families Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether the material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of the California Children and Families Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

Description	Audit Guide Procedures	Procedures Performed
Contracting and Procurement	6	Yes
Administrative Costs	3	Yes
Conflict-of-Interest	3	Yes
County Ordinance	4	Yes
Long-range Financial Plans	2	Yes
Financial Condition of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and Benefits Policies	2	Yes

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are described in the accompanying Schedule of Findings and Responses as item 2025-001. Our opinion on the California Children and Families Program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and responses. The Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

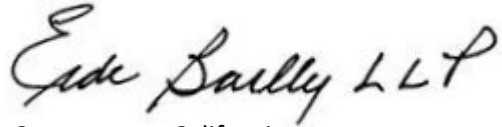
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Responses as item 2025-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Responses. The Commission's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Sacramento, California

October 22, 2025

2025-001 Procurement

Type of Finding: *Significant Deficiency, Instance of Noncompliance with State Compliance*

Criteria:

In accordance with the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, the Commission is required to establish contracting and procurement policies pursuant to paragraph (4) of subdivision (d) of Health and Safety Code section 130140, operate in accordance with these policies, and incorporated into these policies' provisions to ensure that the Commission's grants and contracts are consistent with its strategic plan.

Additionally, the Commission is responsible for following its procurement policies related to maintaining documentation related to sole source justifications.

Condition:

We noted that two (2) out of four (4) contracts tested during the year, there was no sole source justification included within the file.

Cause:

The Commission did not consistently follow its procurement policies.

Effect:

The Commission entered into contracts without documenting the sole source justification. As a result, future allocations may be withheld.

Recommendation:

We recommend that management strengthen its policies and procedures to ensure that the Commission maintains its sole source justification.

Views of Responsible Officials and Planned Corrective Action:

Management agrees with the findings. The department will enhance its understanding of sole source procurement requirements and conduct a thorough review of applicable policies and procedures to ensure all documentation, approvals, and steps are completed in accordance with Solano County's contracting protocols for each contract.

First 5 Solano Children and Families Commission
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

Financial Statement Findings

<u>Finding No.</u>	<u>Category</u>	<u>Status of Corrective Action</u>
2024-001	Procurement	Not Implemented - See Finding 2025-001

State Compliance Findings

<u>Finding No.</u>	<u>Category</u>	<u>Status of Corrective Action</u>
2024-001	Procurement	Not Implemented - See Finding 2025-001